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SUBJECT: A NEW ANDEAN DIALOGUE

1. (U) Summary: In a meeting with Ambassador Struble, Andean Community Secretary General Allan Wagner proposed several ideas for strengthening the relationship between the United States, the Andes and Latin America as a whole. The Andean Community would play a central role in the process. Wagner envisions three major areas of dialogue, drugs, terrorism and energy security. Wagner provided some insight into the evolving relationship between Venezuela and its Andean neighbors. He also made a pitch for U.S. funding of Andean Community trade capacity building projects. End Summary

2. (U) On November 4, Ambassador Struble hosted a meeting at the residence with Ambassador Allan Wagner, Secretary General of the Andean Community (CAN). Ambassador Wagner had just returned from a series of meetings in Washington, and Ambassador Struble asked for a read out of those meetings. Advisor to the Secretary General Saul Pineda and an Embassy Econ Officer also participated in the meeting.

Regional Malaise

3. (U) Coming on the day of the Summit of the Americas meeting in Mar del Plata, Ambassador Wagner started the meeting by expressing concern that there is a distance growing between the United States and Latin America. He attributed part of the cause for the distancing to the unsteady democracy building process presently underway in much of Latin America. He also pointed to the discontent arising from the extreme economic inequality and the lack of resources in the region to satisfy public demands for rapid improvements in living conditions. Wagner observed that the democracy building process would be long, but that headway was being made.

4. (U) To reverse the slide in the relationship between the U.S. and Latin America, Ambassador Wagner proposed engagement on three main topics, drugs, terrorism and energy security; issues that are central to both the U.S. and the Andean countries. Wagner will raise his proposal during an upcoming Inter-American Dialogue event.

Drugs, Thugs and Oil

5. (U) Regarding narcotics, Wagner observed that Peru and Ecuador were seeing a &balloon effect, as pressure was being brought on Colombian producers. Ambassador Struble expressed his own concern about the resilience of the drug trade in Peru and the affect it was having on Peru in general. He cautioned, however, that the projects focused on the cococaleros were not entirely effective. He recommended more focus on small business projects. On the subject of terrorism, Ambassador Wagner suggested that one of the central issues could be money laundering, which is widespread in the region.

6. (U) Wagner appeared to see a new energy dialogue as a key to a revived U.S.-Andean engagement and CAN's role in the process. Energy security will be a major concern to the U.S. and the world economy for decades to come, and most of the oil resources in Latin America were located in the Andes. Wagner suggested that a new energy dialogue between the U.S. and countries in the region could lead to improved relations between the U.S. and Venezuela. He recommended that the initial discussion agenda be small, in order to encourage Venezuelan participation.

Wither Venezuela

7. (U) Venezuela was a central theme for most of the meeting, although Wagner frequently referred to it obliquely. He related how the Colombia-Venezuela relationship had been central to the creation and development of the CAN, and Colombian-Venezuelan bilateral trade has always made up the majority of all inter-Andean trade. But Wagner pointed to a deterioration of the relationship between the two countries. At the same time, he noted a growing relationship between Colombia and Peru, which will be fortified by the eventual free trade agreement (FTA). Wagner suggested that a healthy, active Colombia-Peru relationship would pay dividends throughout the region.

18. (U) While Wagner expects the relationship between Colombia, Peru and Ecuador to be enhanced by the FTA, he warned that the Andean countries do not have much experience competing directly with developed countries such as the U.S. Mexico experienced a drop in employment in the first stages of the NAFTA, he stated. Ambassador Wagner sees a role for the CAN in promoting trade capacity building so that the countries can take advantage of the new opportunities. To that end, he asked whether the U.S. could provide additional funding to support CAN,s trade capacity building efforts. Venezuela, however, is not part of the negotiations, which presents a problem for the CAN. Wagner asked if some of the proposed U.S. funding could be used in Venezuela. Ambassador Struble responded that there would be several problems with that approach.

19. (U) Ambassador Struble noted that the trade experience of the Andean countries has been varied, and the Andean should be learning from each other. Peru, for instance, was experiencing a boom in some of its agricultural sectors. Ambassador Struble suggested that CAN could provide a valuable service by establishing best practices seminars. As an example, he pointed out that Peru was having some success developing agriculture along the sierra. The other Andean countries could benefit from learning how Peru is linking businesses on the coast with the sierra.

Energy Security

10. (U) Ambassador Wagner reported on energy meetings that took place in Caracas, Venezuela. He stated that he did not predict that any of the countries would alter their general approaches to coincide or reinforce Venezuela,s policies, implying that Chavez, oil diplomacy strategy was not working.

11. (U) Comment: Ambassador Wagner appears to be looking for a mission of the CAN. He is correct in identifying drugs, terrorism and energy as key interests for the U.S. and in the region, but he was short on specifics about how and why CAN,s role was necessary and indispensable. CAN can and should play a significant role in trade capacity building, but the inclusion of Venezuela presents a major obstacle. Wagner is correct in seeing major changes for the Andean in the near future. The FTA will have a major impact, boosting the economies of fostering economic reforms. It will also likely accelerate the separation between the FTA countries and Venezuela.

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